

# **VSF PROJECTS LIMITED**



## **18<sup>th</sup> ANNUAL REPORT**

**2009-2010**



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## COMPANY INFORMATION

### BOARD OF DIRECTORS:

Sri C.R. Sen Gupta	-	Chairman
Sri B.Narayana Murthy	-	Managing Director
Sri G.S. Ramachandra Rao	-	Director
Smt. B. Vijaya Lakshmi	-	Director
Sri J. Srikanth Babu	-	Director
Sri A. Satya Prasad	-	Director

<b>AUDITORS</b>	:	<i>M/s Ramana Reddy &amp; Associates</i> (Formerly known as AM Reddy & Co.) Chartered Accountants, 10-5-6/B, My Home Plaza Masab Tank, Hyderabad. Andhra Pradesh
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<b>REGISTERED OFFICE</b>	:	Ankulpatur Village Chillakur Mandal, Nellore District, Andhra Pradesh
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<b>CORPORATE OFFICE</b>	:	Plot No.89/A, Aishwarya, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. Andhra Pradesh
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<b>LISTED AT</b>	:	The Bombay Stock Exchange Limited, Mumbai
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<b>BANKERS</b>	:	UCO Bank, Madhapur, Hyderabad
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<b>REGISTRARS &amp; SHARETRANSFER AGENTS</b>	:	Aarthi Consultants (P) Ltd., 1-2-285, Near Gaganmahal Hospital Domalaguda, Hyderabad – 500 029 Andhra Pradesh
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## **NOTICE**

Notice is hereby given that the **Eighteenth Annual General Meeting** of the members of the Company will be held as scheduled below:

Day & Date : **Thursday, 30<sup>th</sup> September, 2010**  
Time : **11.00 A.M.**

Venue : Ankulpatur Village, Chillakur Mandal,  
Nellore District, Andhra Pradesh

to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the financial year ended on that date along with the Report of Directors and the Auditors thereon.
2. To appoint Director in the place of Sri J. Srikanth Babu, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in the place of Sri A. Satya Prasad who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s Ramana Reddy & Associates, Chartered Accountants, as Statutory Auditors of the Company to hold the office as such from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the remuneration.

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-

Place: Hyderabad  
Date : 04.09.2010

(B.N. MURTHY)  
Managing Director

## **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 26<sup>th</sup> September, 2010 to 29<sup>th</sup> September, 2010 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and the attendance slip duly filled in for attending the Meeting. No copies of the Annual Report will be distributed at the meeting.
4. Members are requested to quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the Company.
5. Members are requested to send all communication relating to shares to the Company's RTA M/s Aarthi Consultants Pvt. Ltd, 1-2-285, Near Gaganmahal Hospital, Domalaguda, Hyderabad – 500 029, Andhra Pradesh
6. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting:



### **Shri J Srikanth Babu**

Shri J Srikanth Babu, M.Com has 11 years of experience in Real Estate. The Board considers the experience of Shri J Srikanth Babu, as invaluable use for the Company.

He neither holds any directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company: NIL Equity shares  
**Shri A Satya Prasad**

Shri A Satya Prasad, M.Com and has 19 years of experience in land development and infrastructure works. The Board is of the view that the knowledge and experience of Shri A Satya Prasad will be of immense value and benefit to the Company

He neither holds any directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company: NIL Equity shares

### **DIRECTORS' REPORT**

Your Directors hereby present the **EIGHTEENTH ANNUAL REPORT** together with the Audited Accounts of the company for the financial year ended 31<sup>ST</sup> March, 2010.

#### **FINANCIAL HIGHLIGHTS:**

The performance of the company for the financial year ended 31<sup>st</sup> March, 2010 is summarized below.

<b>PARTICULARS</b>	<b>(Rupees In Lakhs)</b>	
	<b>2009-10</b>	<b>2008-09</b>
Gross Income	1121.33	954.46
Total expenditure	1026.42	881.62
<b>Profit before Interest &amp; Depreciation</b>	<b>99.58</b>	<b>72.84</b>
Interest	5.46	1.70
Depreciation	9.35	4.02
<b>Profit before tax</b>	<b>80.08</b>	<b>67.12</b>
Current Tax	11.51	6.34
Deferred tax	14.72	-15.78
Fringe Benefit tax	0.00	0.25
<b>Profit/(Loss) after tax</b>	<b>53.84</b>	<b>76.30</b>
Capital Reduction Adjustment	0.00	215.35
Balance Carried forward from previous years	-73.11	-149.42
Balance Carried forward to Balance Sheet	-19.26	-73.11

#### **PERFORMANCE:**

During the year under review, your company has seen all round growth in revenues and profitability. The Company has generated income of Rs.1121.33 Lakhs during the current year as compared to Rs. 954.46 Lakhs during the previous year and net profit stood at Rs. 53.84 Lakhs as compared to Rs. 76.30 Lakhs during the previous year. There is a margin dip in the net profit due to higher depreciation charges into Profit & Loss A/c.



### ***FUTURE OUTLOOK:***

In this year the company propose to venture into the solar and Thermal Power Plants. The company has started in ground level works bidding the projects. The company is hopeful to bagging contracts in the year 2010-2011.

### ***DIVIDEND:***

In view of the inadequate profits, your Directors do not recommend any dividend for the financial year 2009-10.

### ***FIXED DEPOSITS:***

The company has neither accepted nor renewed any deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.

### ***DIRECTORS:***

Sri J. Srikanth Babu , and Sri A. Satya Prasad retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### ***AUDITORS:***

M/s. Ramana Reddy & Associates (Formerly known as AM Reddy & Co.), Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting & being eligible, offer themselves for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment for the FY 2010 -11.

### ***PARTICULARS OF EMPLOYEES:***

There are no employees whose particulars are

required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs.2,00,000/- per month, if employed for the part of year or Rs.24,00,000/- per annum during the financial year 2009-10.

### ***DIRECTORS' RESPONSIBILITY STATEMENT:***

The Directors of your Company hereby report:

- (i) That in the preparation of Annual Accounts for the financial year ended 31<sup>st</sup> March, 2010, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any, there from;
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period:
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- (iv) That the directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2010 on a going concern basis.



### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 are given as **Annexure A** and forms part of this report.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement forms part of this Report and is annexed hereto.

### **CORPORATE GOVERNANCE:**

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance.

### **LISTING:**

Your Company's shares are presently listed on The Bombay Stock Exchange Limited, Mumbai.

### **ACKNOWLEDGEMENTS:**

Your directors acknowledge the continued support from its management and staff. Your Directors also wish to thank its customers, vendors, banks,

service providers as well as regulatory and government authorities for their support and cooperation.

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-  
**(B. VIJAYA LAKSHMI)**

Director

Place: Hyderabad

Date : 04.09.2010

Sd/-  
**(B.N. MURTHY)**  
Managing Director.

### **Annexure – A**

### **INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.**

#### **A. CONSERVATION OF ENERGY:**

- i. The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources and constantly evaluates new technologies and invests to make its infrastructure more energy-efficient
- ii. The Company has not made any additional investments and has not proposed any amount for reduction of consumption of energy.
- iii. There is no impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- iv. Disclosure under Form A is not applicable to the Company.

**B. TECHNOLOGY ABSORPTION: FORM B**

(Disclosure of particulars with respect to technology Absorption)

**i) Research and Development (R & D) :**

Specific areas in which R & D carried out by the Company : NIL

Benefits derived as a result of the above : NIL

Future plan of action : NIL

Expenditure on R & D : NIL

**ii) Technology absorption, adaptation and innovation : NIL****C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Activities relating to exports and initiatives taken to increase export products, services and export plans : NIL

Foreign Exchange earnings and outgo:  
(on receipts and payments basis)

Particulars	2009-10	2008-09
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	Nil	Nil

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-  
(B. VIJAYA LAKSHMI)  
Director

Sd/-  
(B.N. MURTHY)  
Managing Director.

Place: Hyderabad  
Date : 04.09.2010

**MANAGEMENT DISCUSSION & ANALYSIS**

The company hereby presents its performance for the year 2009-10 and the outlook for the future based on current business environment, which may vary due to future economic, political and other development in India as well as overseas.

Over the past five years, construction sector has grown faster than overall GDP. While the GDP growth rate was in the range of about 7 - 8 %, the construction industry has been growing at a rate between 12 to 15% annually.

However, there are certain constraints that affect the smooth functioning of this industry. Contracting issues, financing issues, stiff competition leading to price-cuts and low operating margins, high volatility in prices of major inputs such as steel, cement, building materials and petroleum products, stringent adherence to safety, quality consciousness, adapting to technological changes, developing and using new construction materials and disparities and ambiguities in indirect tax structures in respect of VAT / Service tax / WCT etc. are the key issues / concerns to pose major threats in the growth of Construction Industry.

The major bottleneck facing the industry today is widespread manpower shortages in both skilled and unskilled categories. High attrition rate of employees is another major concern. The gap between demand and supply of required manpower is likely to have severe impact at least in the near future considering exponential growth opportunities in this sector. Roads / highways and bridges are prone to major time cost overruns. Land acquisition and removal of encroachments and utilities continue to be major constraints in project completion.

In these circumstances also, your Company is able to sustain the growth rate and further improve





its performance. During this year, the Company has generated a profit of Rs 53.84 Lakhs.

The Directors are putting their best efforts to increase revenues and profitability. To this end the Board is looking at new avenues in Infra sector besides consolidating its position as niche infra player.

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

The Company believes in transparency, empowerment, accountability and integrity in its operations duly delegated authority to various functional heads that are responsible for attaining the corporate plans with the ultimate purpose of enhancement of "Stake holder value".

Moreover, the Company believes that sound Corporate Governance practices that provide an important platform to assist the management and the Board in delivering its responsibilities. The Company has always been taking the spirit of various legislations as guiding principles and has done well beyond simple statutory compliance. The Board of directors of the company has the responsibility of protecting the long term interests of all the stakeholders, while adhering to sound principles of corporate governance.

The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important policy matters.

### 2. BOARD OF DIRECTORS

The Company upholds the policy of having an optimum combination of Executive, Non-Executive and Independent Directors to ensure independent, transparent and professional conduct of Board Procedures in all aspects related thereto. The Chairman is non - executive director and the number of Independent Non-

executive directors is 50% of the Board strength at any point of time.

During the Financial year ended 31<sup>st</sup> March, 2010, Board of Directors met 8 times and gap between two Board meetings did not exceed four months. None of the Directors on the Board is a member in more than 10 committees and none of them act as Chairman of more than five committees across all companies in which he is a Director.

- ❖ 30.04.2009
- ❖ 15.06.2009
- ❖ 31.07.2009
- ❖ 01.09.2009
- ❖ 31.10.2009
- ❖ 09.12.2009
- ❖ 14.12.2009
- ❖ 31.01.2010

The attendance at the Board Meetings conducted during the 12 months period ended 31<sup>st</sup> March, 2010 and at the Annual General Meeting as also the number of Directorships and committee memberships (other than VSF Projects Limited) are given below:

Name of the Director	Category of the Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of Memberships in other companies (excluding private limited Companies) Boards Committees	
C.R.Sengupta	Chairman Independent & Non Executive	3	NO	Nil	Nil
B.N. Murthy	Managing Director - Executive	8	Yes	Nil	Nil
GSRamachandra Rao	Director - Non Executive	8	Yes	Nil	Nil